



Overview of State and County Finances and Responsibilities

Presentation to the
Governor's Task Force on Milwaukee County Finances
by the Wisconsin Department of Administration

July 31, 2006

Major topics for discussion:



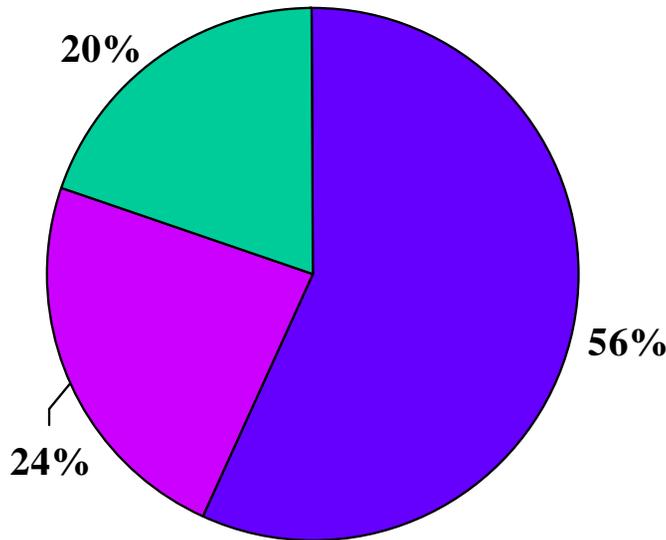
- State budget background
- County responsibilities
- How Milwaukee County is unique
- State support of Milwaukee County
- Milwaukee County in context:
 - Revenues
 - Expenditures
- Operating budget assumptions
- New GASB requirements

Wisconsin state budget

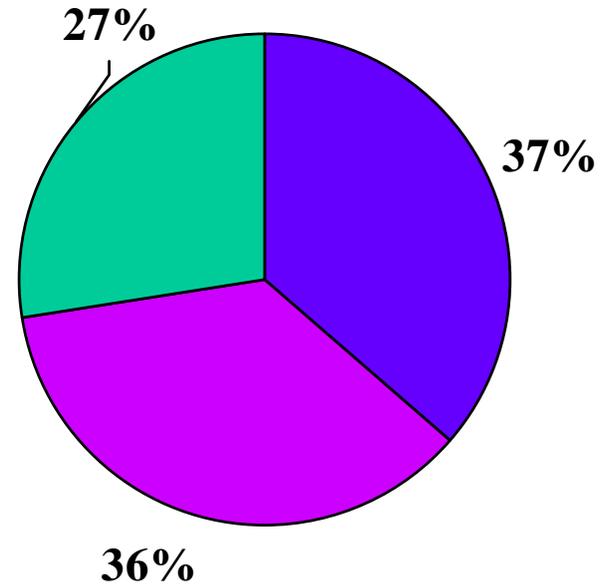


- WI ranked 6th in nation in support of local governments

General Fund

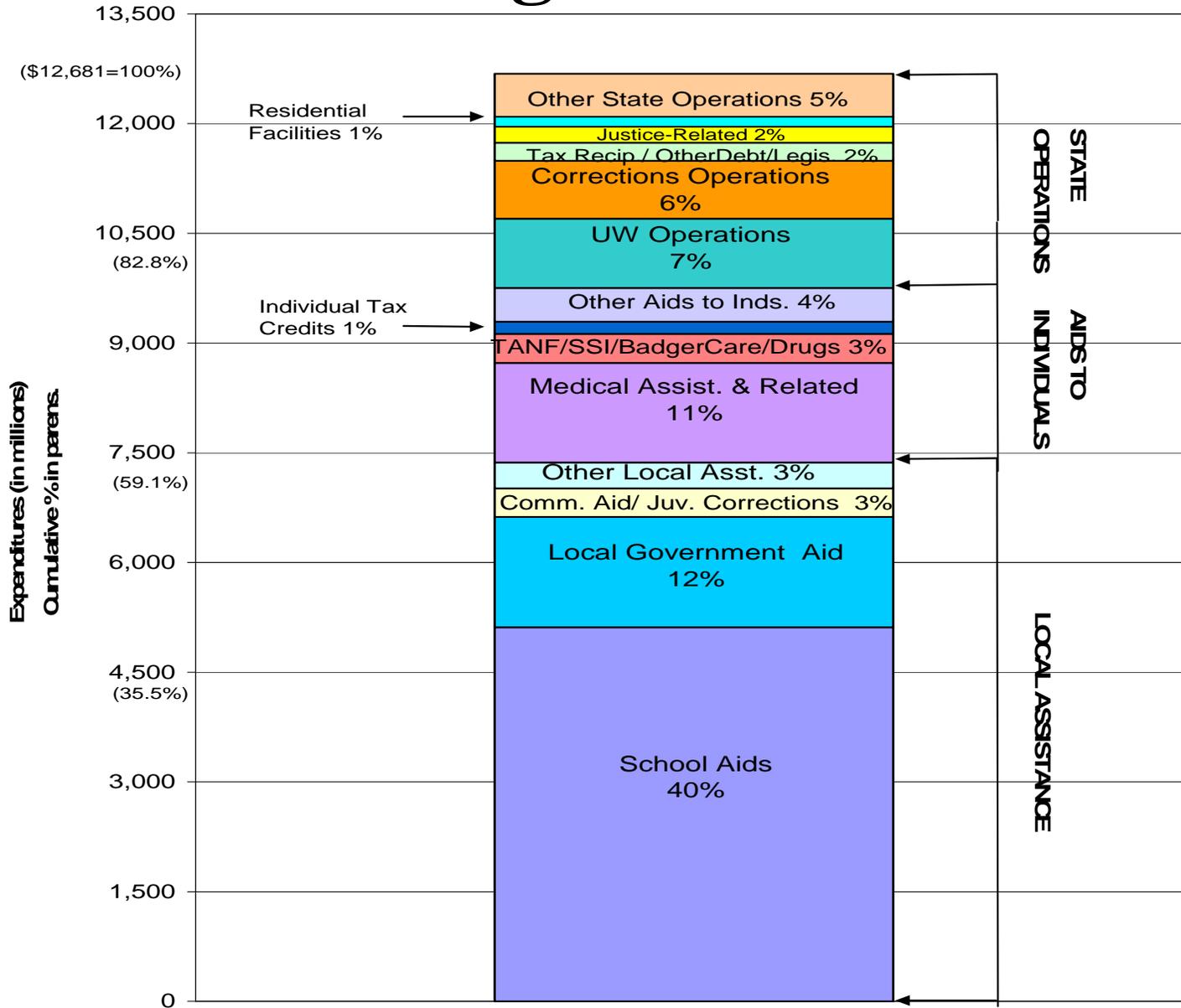


All funds



- Local Assistance
- State Operations
- Aids to Individuals and Organizations

2005-06 Budget Allocations



Counties organized to perform state functions at local level.



- Created by state constitution, required to be as “nearly uniform as practicable” (Article IV, Sec. 23)
- Unlike cities and villages, no broad “home rule” authority
 - Do have “administrative home rule” to organize admin. departments, etc. (s. 59.03 WI Statutes)
- Responsibilities dictated by state law:
 - Most social service programs (s. 59.53)
 - Local and state road maintenance (s. 59.58)
 - Cultural and recreational amenities (s. 59.56)
 - Law enforcement (s. 59.54)
 - Health services (s. 59.53)
 - Zoning and road maintenance for rural areas (subchapter V11)
 - Services to cities and villages through joint agreements (subchapter III, Chapter 66)

How Milwaukee County is unique

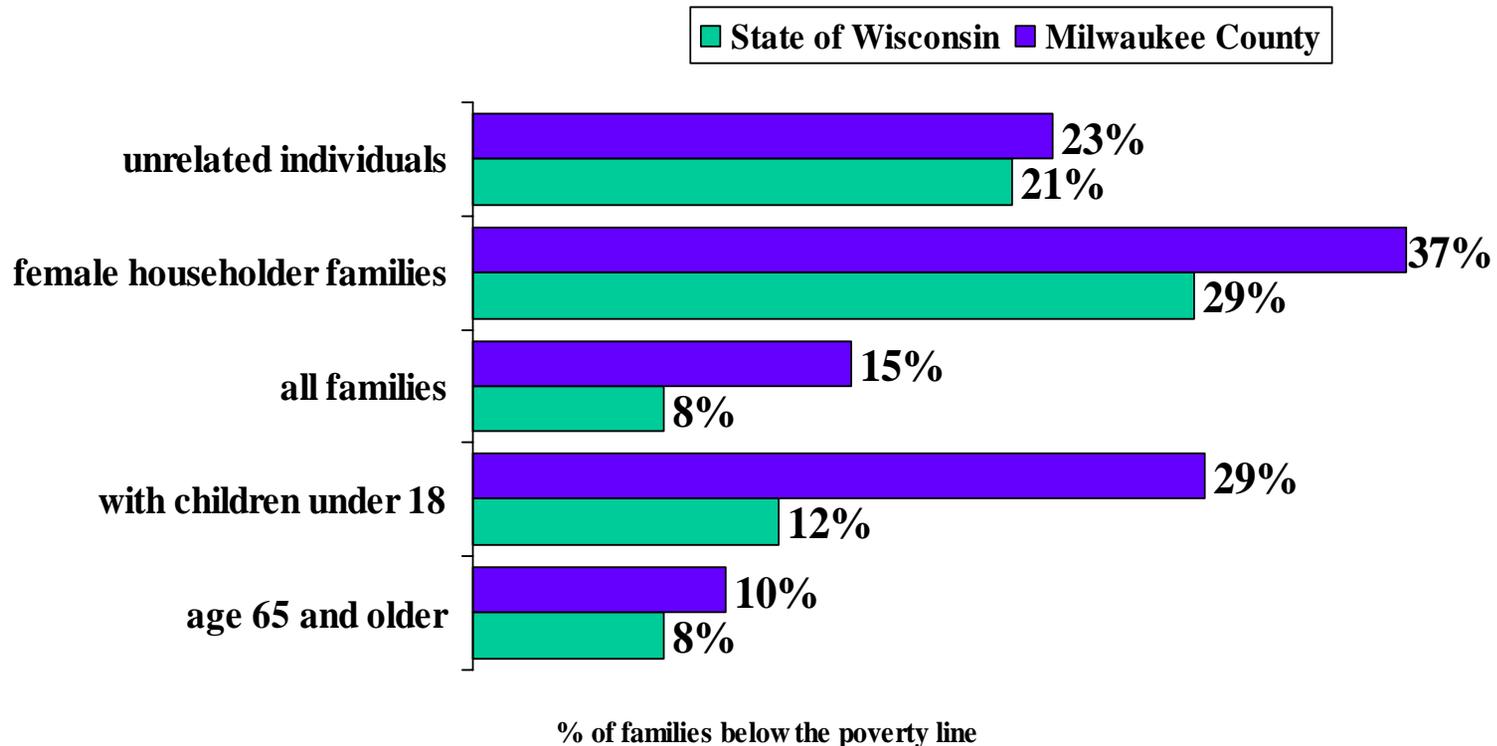


- The state's only entirely urban county
 - No unincorporated areas
 - Highest population density in state
- House of Correction (total bed space: 2,092)
- Sheriff's Role
 - Expressway policing
 - Parks policing
- Only County in the state that's required to follow GAAP (accounting practices)
- Significantly higher violent crime rate than rest of state.
- Socioeconomic distribution more varied than rest of state

Household income and poverty rates



- Median household income:
 - Milwaukee County: \$38,303
 - State of Wisconsin: \$45,315



State support of Milwaukee County



- Justice related activities: \$87 million
- Social services: \$312.9 million
 - Child welfare programs transferred from County to state (\$111.7 million GPR for BMCW, with an aid deduction of \$58.9 million)
- Transportation funding: \$58 million
- Unrestricted Shared Revenue: \$37.1 million
- Total state aid from these sources: ~\$500 million

Property Tax Overview



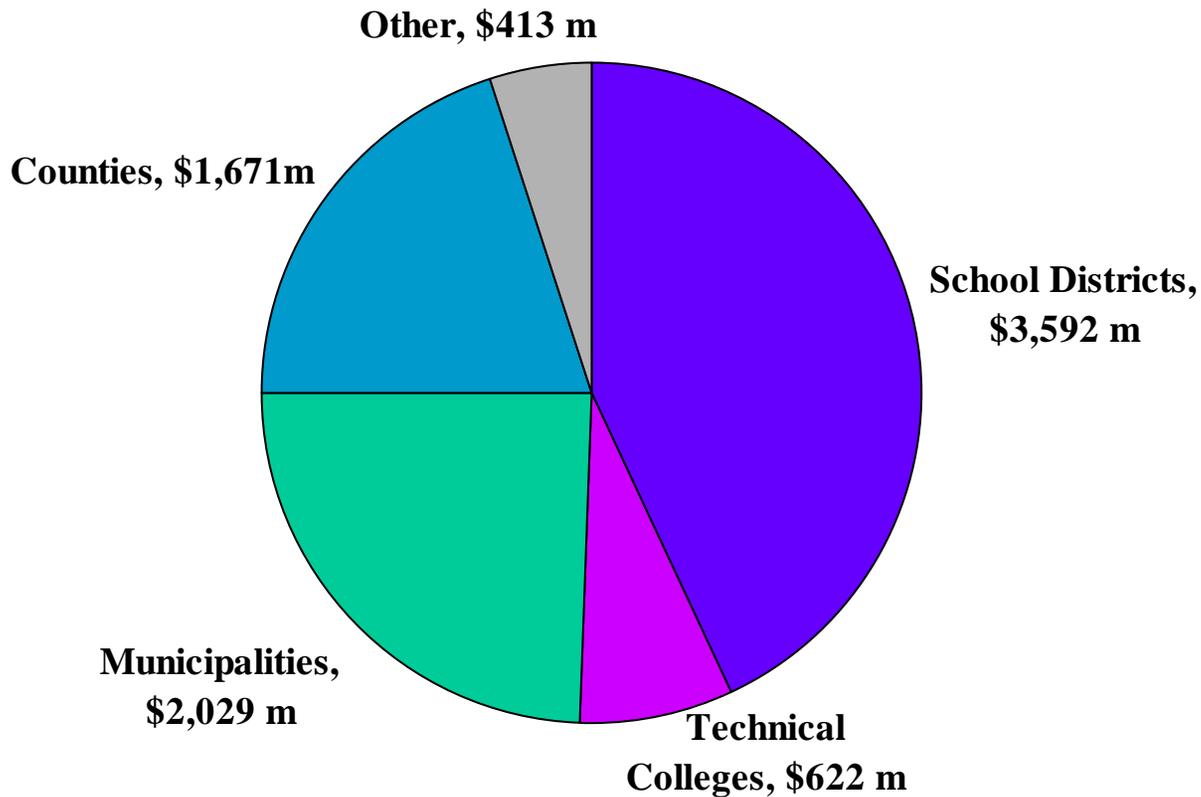
- Property Taxes are the largest tax collected by state and local governments in Wisconsin.
- It is predominantly a local tax.

Wisconsin State & Local Government Tax Revenue, Amount in Thousands of Dollars			
	State & local Government	State Government	Local Government
General revenue from own sources	28,265,838	17,102,262	11,163,576
Taxes	20,440,988	12,638,266	7,802,722
Property	7,429,001	104,158	7,324,843
Individual income	5,251,190	5,251,190	-
General sales	4,139,085	3,899,395	239,690
Selective sales	1,776,170	1,721,642	54,528
Other taxes	832,779	649,600	183,179
Corporate income	681,990	681,990	-
License Taxes	330,773	330,291	482
Property Taxes as a Percent of Total Taxes	36%		
Local Government Share of Property Taxes			99%
Local Property Taxes as a Pct of All Local Taxes			94%

More than Half of Property Taxes Fund Education--Schools and Tech Colleges



Total Levies Collected 2006: \$8,326.7 Million



The tax levy in Milwaukee County



- The Milwaukee County mill rate is 4.25 in 2005.
- State Average County Mill Rate is 3.85.
- Milwaukee's mill rate ranks 48th in the state.

County government is less than 20% of tax bill.



- City of Milwaukee: 18.8%
- Rest of Milwaukee County: 19.3%

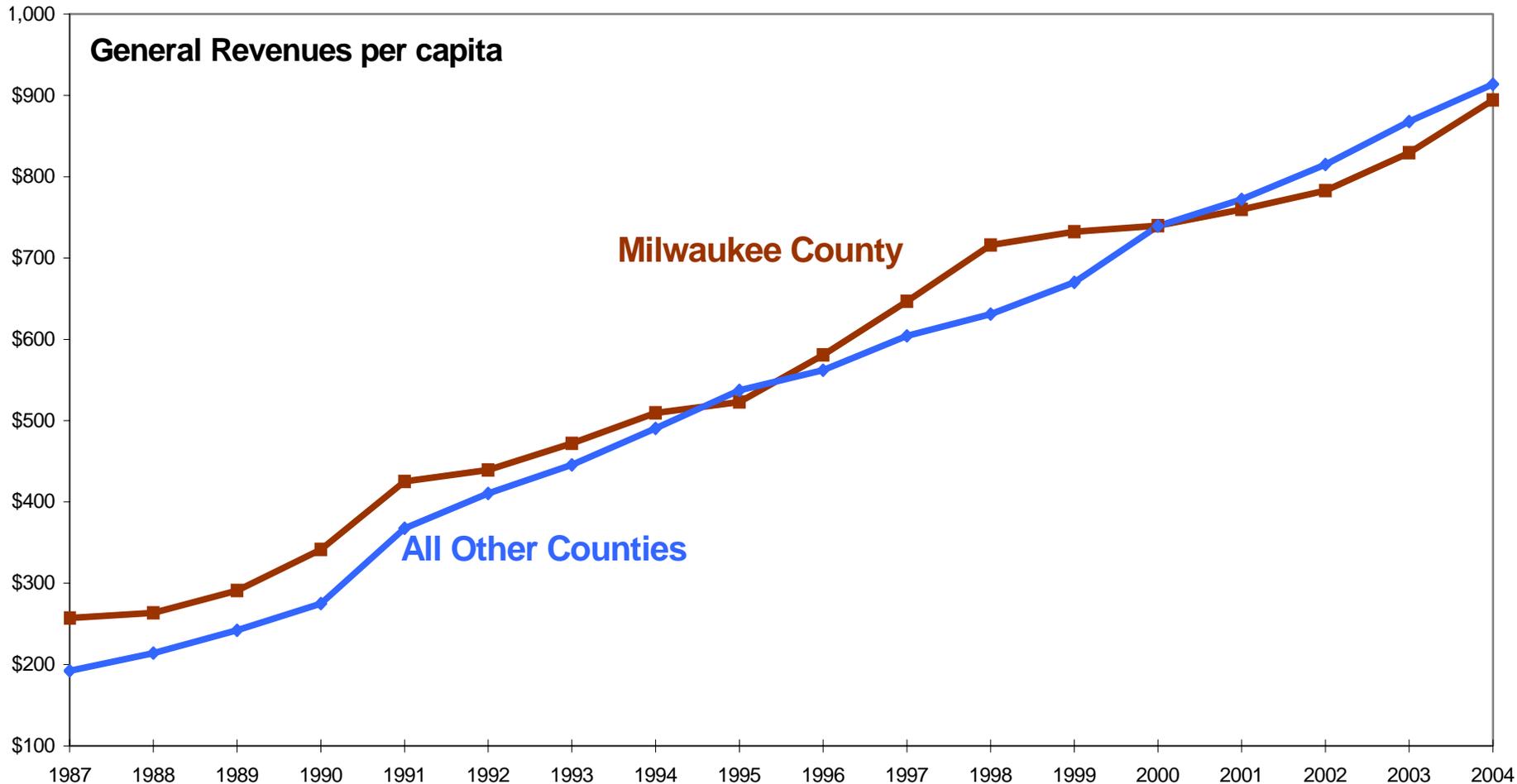
(based on 2005-06 calculation of tax bill on median value home)

Comparing Local Government Revenues

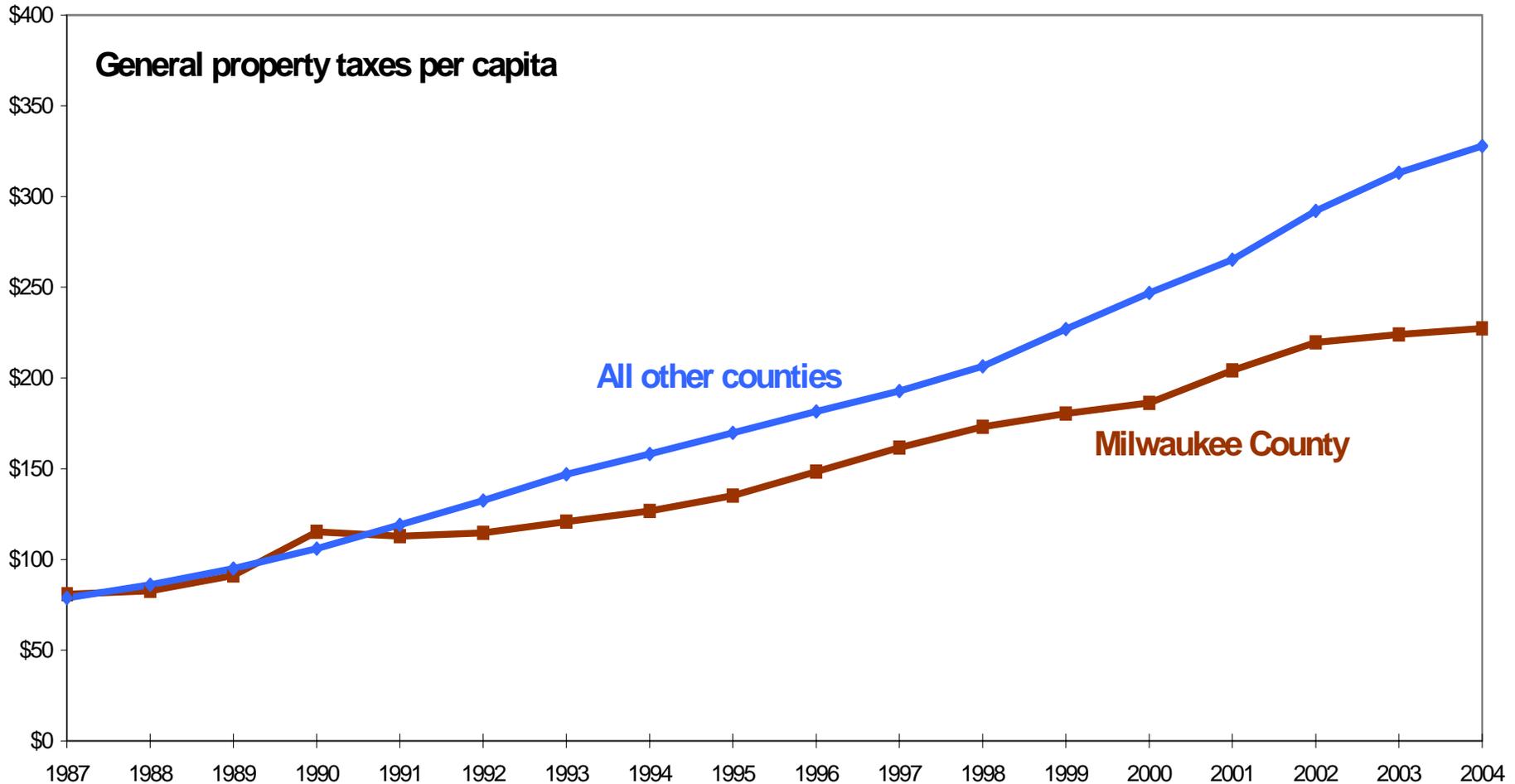


Per Capita County Government Revenues, 2001-02			
Wisconsin Local Governments, Percent of US Average for Counterparts			
Revenue Type	All Local Governments	All Counties	Counties over 500,000
Total General Revenue	102%	91%	96%
Intergovernmental Revenue	120%	110%	118%
From State Government	127%	106%	99%
Own Source General Revenue	89%	79%	81%
Taxes	99%	77%	68%
Property Taxes	127%	93%	75%

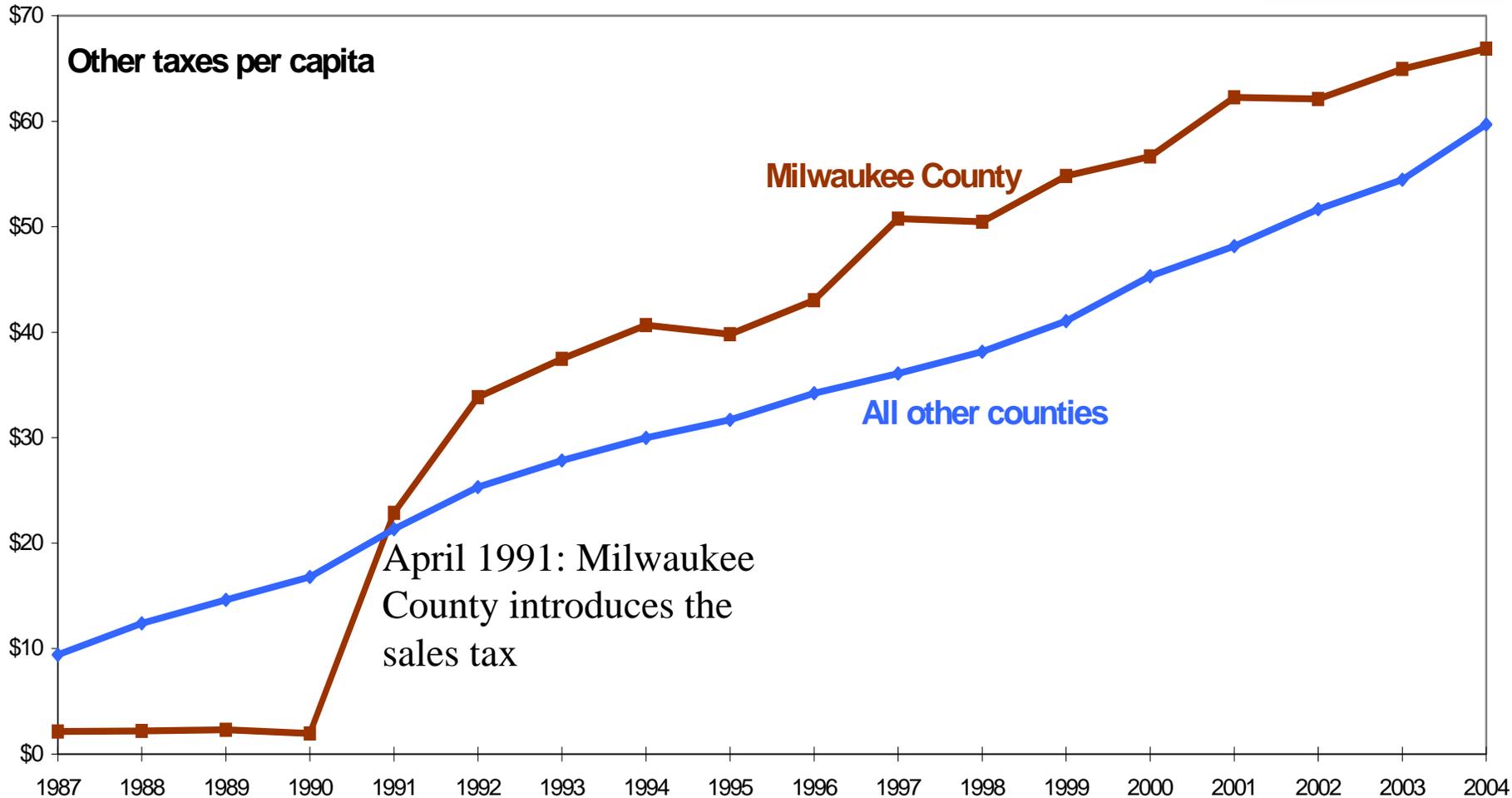
Milwaukee County general revenue growth typical of other counties



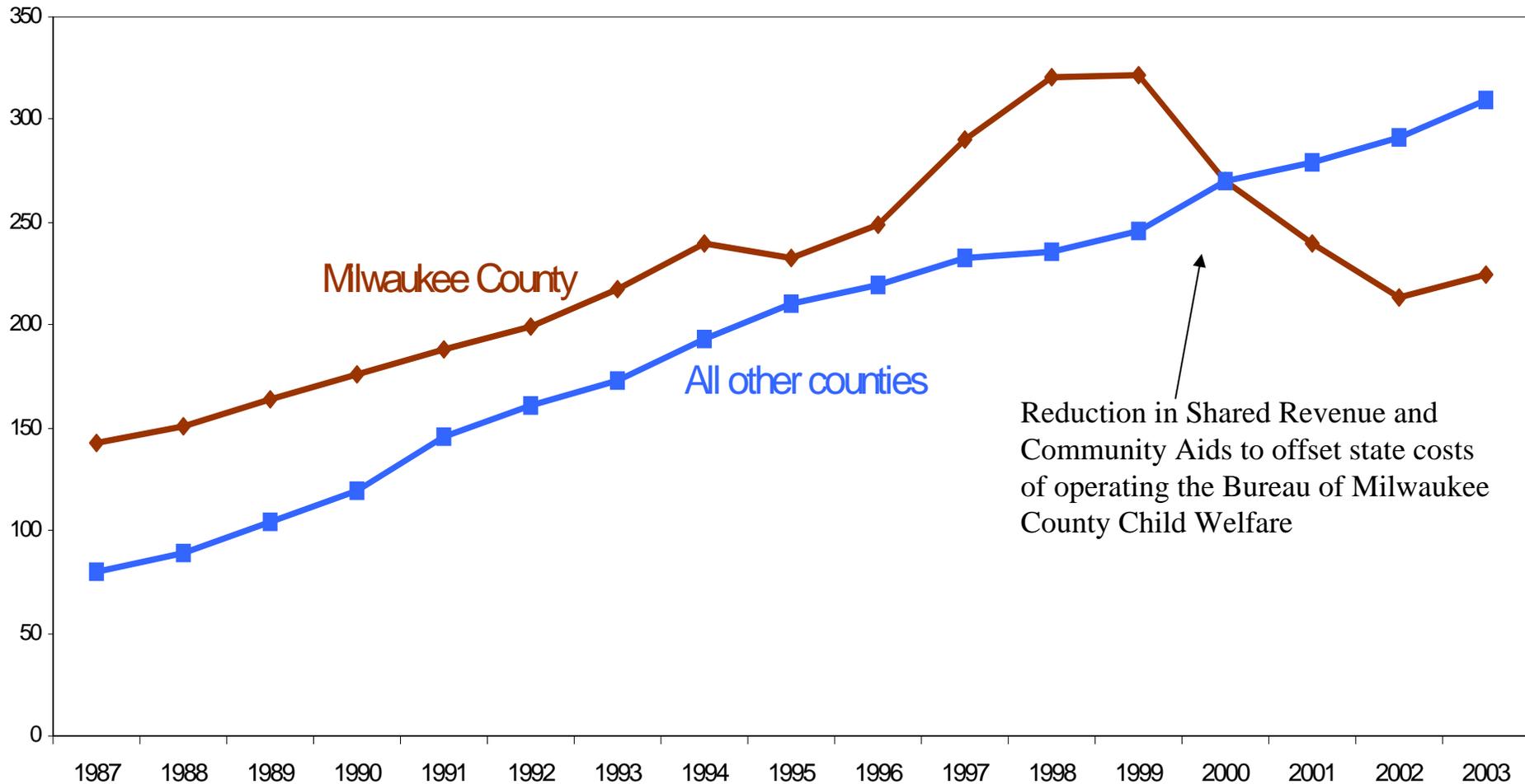
Milwaukee County less reliant on property tax than other counties



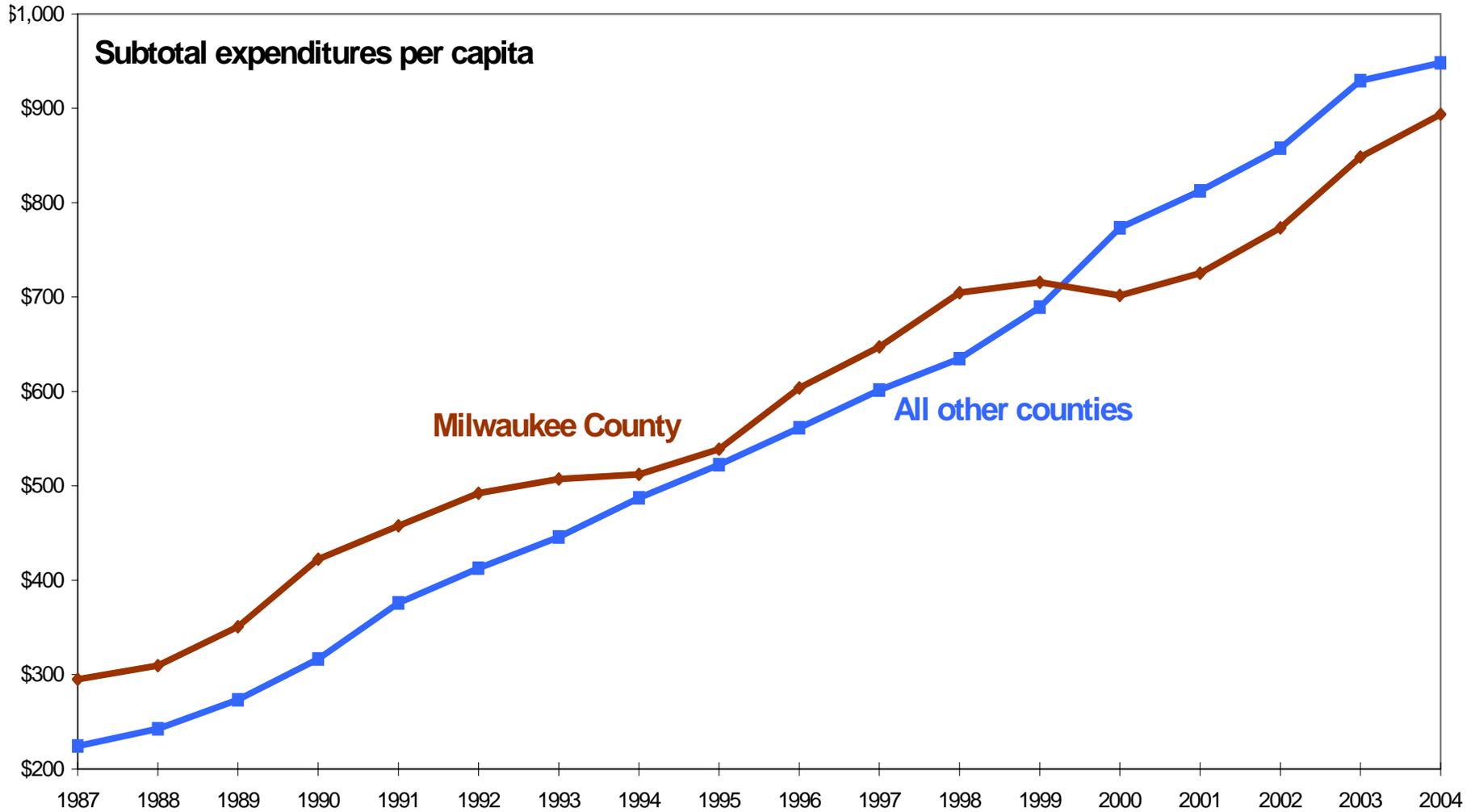
Milwaukee County raises more revenue through alternative taxes



Shared Revenue and Other State Aids



General expenditures



Comparing County Spending



Per Capita County Expenditures, 2001-02				
Expenditure by Type	All Counties		Counties Over 500,000	
	US Average	Wisconsin	US Avg	Wisconsin
General Expenditure	1,015.43	960.67	1,169.69	1,081.17
Education	151.52	10.75	122.06	0.51
Public Welfare	133.04	264.78	183.18	281.73
Parks	21.96	37.55	32.75	111.26
Air Transportation	11.11	16.30	21.81	56.69
Correction	61.00	56.46	79.17	51.13
Judicial	51.89	34.71	73.20	45.69
Highways	65.04	116.26	48.61	21.87
Health	84.97	145.65	105.24	129.70
Hospitals	91.59	35.82	114.45	135.61
Police	63.56	69.92	75.66	55.67
Financial Administration	24.15	16.36	23.11	4.42
Solid Waste Management	17.07	12.34	16.86	-
Other Administration	22.95	24.02	16.37	28.08

Expenditures sorted by largest variance between US Average and Wisconsin Counties Over 500,000

Metro Area Service Responsibilities in Other States Often Met by Special Districts



<u>State</u>	<u>County</u>	<u>Special District</u>	<u>State</u>	<u>County</u>	<u>Special District</u>
Alabama	Jefferson	Birmingham Airport Authority	Missouri	Jackson	Kansas City Area Transportation Authority
Arizona	Maricopa	Regional Public Transportation Authority	Massachusetts	Suffolk	Massachusetts Bay Transit Authority
California	Alameda	Bay Area Toll Authority Rapid Transit District	North Carolina	Wake	Raleigh Durham Airport Authority
	Orange	Orange County Transportation Authority	Ohio	Cuyahoga Hamilton	Greater Cleveland Regional Transit Authority SW Ohio Regional Transit Authority
Colorado	Denver	Health and Hospital Authority Regional Transit District	Oregon		Multnomah Metropolitan Service District
Florida	Orange	Regional Transportation Authority Greater Orlando Aviation Authority West Orange Health Care District	Pennsylvania	Allegheny	Allegheny County Airport Authority
		Tennessee	Davidson	Metropolitan Nashville Airport Authority	
Georgia	Fulton	Metro Atlanta Rapid Transit Authority Fulton County Hospital Authority	Texas	Harris Travis	Metropolitan Transit Authority Capital Metro Transit Authority
Illinois	Cook	Chicago Park District Regional Transportation Authority	Utah	Salt Lake	Utah Transit Authority
Kentucky	Jefferson	River City Transit Authority	Virginia	Arlington	Northern Virginia Transportation Commission Metropolitan Washington Airports Authority
Minnesota	Ramsey	Metropolitan Airports Commission	Washington	King	Central Puget Sound Regional Transit Authority King County Public Hospitals Districts

A brief review of GASB 43 and 45



- **OPEB: *Other Post Employment Benefits*:**
 - Typically funded on pay-as-you-go basis
 - Future obligations
 - Everything except pensions:
 - Health insurance for retirees and families
 - Dental insurance
 - Life Insurance and term care coverage
- Formerly, no requirement that governments report info re: OPEB.

GASB, continued



- Governments must now report:
 - Cost to employer of OPEB *earned* by employees each year, not just *cash outlays* for OPEB
 - Size of unfunded liability
 - Plan to pay for these future costs
- OPEB liability disclosures *per se* not necessarily cause for bond rating adjustment
- Will be considered by rating agencies along with other factors
- These are reporting standards, not funding mandates. Governments can determine how to address liability.

Overview of Milwaukee County budget projections



- County's projected annual gap by 2011 = \$265 million
- Changing the following assumptions reduces the gap by ~\$90 million
 - Health insurance increases lowered from 15% to 10%
 - ATB wage increases lowered from 3% to 2%
 - Sales tax growth increased from 1% to 3%
- Other major assumption is approach on paying for OPEBs.

Next steps



- Milwaukee County/state government fiscal relations
 - Inventory of county services and state aids
 - Background on state budget
- Milwaukee County in Context
 - A look at comparable counties/local governments
- Overview of GASB 43 and 45
 - Treatment of Enterprise funds
 - Perspective from bond rating agency
- Review of government Employee health care cost issues
 - Cost containment measures
 - Benefit structure comparisons
 - Retiree health care benefits
 - Private sector perspective
- Key topics related to Milwaukee County services and finances
- Discussion of framework for evaluating recommendations